

A 'Piddling Affair' Trips Up Thatcher

Heseltine Challenge Makes Her Seem Overbearing, Vulnerable to Attack

By Joseph Lelyveld
New York Times Service

LONDON — The British defense secretary from the cabinet room at 10 Downing Street, coupled with his detailed indictment of Margaret Thatcher's manner of running her government, may not have exhausted his

chances of becoming the next leader of the Conservative Party. But there is little doubt among politicians that the resignation Thursday of the defense chief, Michael Heseltine, cut short a seeming revival in the prime minister's political fortunes.

It was the first walkout from a British cabinet meeting since Joseph Chamberlain's in 1929, when Gladstone on the Irish question 99 years ago. But Mrs. Thatcher went on about her business with the purposefulness that has been her hallmark since she came to power in 1979.

In a meeting Friday with American journalists, she said she was sad to lose Mr. Heseltine, then he said she was the most powerful woman in the world.

"We shall have to put this behind us," she declared.

But the issue Mr. Heseltine left scattered in his wake seemed certain to reverberate for weeks.

Least significant of these, in the view of most politicians, was the one that seemed to matter most to Mr. Heseltine: the future of a newly bankrupt helicopter company that has somehow become the prize in a hard-fought battle between two multinational multinationals.

The general view was voiced by a cabinet member who dismissed it as "the most piddling affair."

The future of Westland P.L.C., he said, mattered only because Mr. Heseltine made it a symbol of his divisions over the government's role in managing the economy and

Britain's role in Europe that persist in the Conservative Party after a decade of Thatcherism.

Mr. Heseltine accused Mrs. Thatcher of "ill-tempered and unhelpful" to block the bid by a consortium of five European companies that he was trying to help. He said the ability of Britain and Europe to remain competitive in high technology was riding on a shareholders vote scheduled Tuesday.

The prime minister insisted in public that the decision on whether to accept the offer from a consortium led by the Sikorsky division of U.S.-based United Technologies Corp. was a matter for shareholders, not the government.

But the abstract legal and technological issues on which the vote turns have become so confused with high-stakes Tory politics that Mr. Heseltine will appear to have won a moral victory at Mrs. Thatcher's expense if, as seemed increasingly likely Friday, shareholders fail to give the Sikorsky bid the 3-to-1 endorsement it requires.

Still, the sense that the affair was more than "piddling" for Mrs. Thatcher had little to do with Westland. It may have had more to do with Mr. Heseltine's charges about her overbearing way of managing the cabinet.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Heseltine and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

France's New Star: Resurrected Hernu

Crowds Forget Greenpeace to Acclaim Ex-Minister's Return to the Hustings

By Michael Dobbs
Washington Post Service

VILLEURBANNE, France — The most prominent political victor of France's Greenpeace scandal, Charles Hernu, seemed a lonely, defeated man when he resigned as defense minister in September.

Today, he has become accustomed to receiving ovations whenever he appears in public. Buoyed by about 20,000 sympathetic letters that he has received since his forced resignation, he is even dropping hints about running for president.

Not everyone who wrote Mr. Hernu's political obituary in September, after he was blamed for the prime minister's decision to cancel a Greenpeace ship in New Zealand, was as positive as his political comeback.

In recent polls, the Conservatives have held a narrow lead over the Labor Party primarily because the political debate has focused on the question of whether Labor is fit to govern.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

But there is a chance that Mr. Hernu and his rival brand of Toryism, Mrs. Thatcher's backers pointed out Friday, would be only in the aftermath of a major setback in the next election. That three-year period does not end until the next general election, which the Social Democratic-Liberal Alliance.

Other resignations from the Thatcher cabinet who have been led to the back benches of the House of Commons have quickly been written off by her supporters as free consumers of the government's time.

political scandal since the left came to power in May 1981.

Two French Army officials are serving 10-year prison terms in New Zealand after acknowledging involvement in the sabotage operation, in which a Greenpeace ship was killed.

The son of a general, Mr. Hernu has devoted his political career to overcoming the traditional mistrust between the Socialist Party and the army. He played an important role in persuading Mr. Mitterrand to reverse his opposition to France's nuclear deterrent.

"I was the symbol between the army and the nation," he said, hinting that this was why his return seemed to get rid of him.

There has been little moral outrage in France about the secret sabotage operation against the Rainbow Warrior. Many French citizens have taken the view that the government was justified in taking action to prevent the disruption of its nuclear testing program.

Mr. Hernu generally refused to answer questions about his role in the Greenpeace affair.

"My conscience is clear," he repeated over and over again, step back to political rehabilitation came when local party activists chose him to head the Socialist campaign in the Rhone region, which includes Lyon and Villeurbanne, for the legislative elections in March.

He followed this with an announcement that, if the Socialists did well in the Rhone, he would consider running for president in 1988 if Mr. Mitterrand did not seek re-election.

An opinion poll last month indicated that 35 percent of French citizens wanted Mr. Hernu to play

senior roles to Kampala, as the Ugandan army has been working with government and rebel representatives. But with no rebel representatives in the city, the Kenyan army is not helping.

A spokesman for the National Resistance Army said in Nairobi that Mr. Museveni cannot participate in the peace agreement because it is a Ugandan document.

"If you are going to have shooting and killings, you cannot do very much," the spokesman said. "We want to see the other people want to play the game."

Since the agreement was signed, there have been frequent local press reports of atrocities by government soldiers. Lieutenant General Kibuka, the Ugandan army commander, has ordered that all such reports be treated as a "press security committee."

He did not ask to see Nelson Mandela, the imprisoned ANC leader, "or his wife, and I do not regret that fact," Mr. Leutwiler said.

Mr. Botha, in an address in September, raised the possibility of dropping laws restricting the movement of blacks in the black townships of Johannesburg, a move that would be a national advisory body called the President's Council and of changing the military, white-minority state into a federated, nonracialized system based on ethnic minorities.

Black groups have made it clear that such a system would be unacceptable, as it would require continued racial apartheid.

The South African government promised repayment of capital on its \$14 billion in short-term debt in September, after a year of racial unrest.

Black Activists Killed

A black anti-apartheid activist who was to have met Sunday with Chester A. Crocker, a U.S. assistant secretary of state, was chased from his home Saturday and hacked to death, according to witnesses quoted in an Associated Press dispatch from Johannesburg.

The witnesses said Ample Maylay, 36, was killed by about 10 blacks in a black township of Lenasia, 120 kilometers (74 miles) east of Johannesburg.

Mr. Crocker, assistant secretary for African affairs, is in South Africa for talks with the government over South-West Africa, the South African territory also known as Namibia, and the conflict in Angola.

Mr. Crocker toured black townships of Johannesburg on Saturday and Sunday, and said Mr. Maylay's death was "terrible." He was known as a supporter of the United Democratic Front, which opposes apartheid.

Congressmen End Visit

The six members of the U.S. House of Representatives conducted their four-day visit to South Africa, ending by departing for Washington, by entering continued and perhaps strengthened U.S. economic sanctions against Pretoria, the Los Angeles Times reported Friday from Johannesburg.

Mr. Crocker, assistant secretary for African affairs, is in South Africa for talks with the government over South-West Africa, the South African territory also known as Namibia, and the conflict in Angola.

Mr. Crocker toured black townships of Johannesburg on Saturday and Sunday, and said Mr. Maylay's death was "terrible." He was known as a supporter of the United Democratic Front, which opposes apartheid.

Congressmen End Visit

The six members of the U.S. House of Representatives conducted their four-day visit to South Africa, ending by departing for Washington, by entering continued and perhaps strengthened U.S. economic sanctions against Pretoria, the Los Angeles Times reported Friday from Johannesburg.

Mr. Crocker, assistant secretary for African affairs, is in South Africa for talks with the government over South-West Africa, the South African territory also known as Namibia, and the conflict in Angola.

Mr. Crocker toured black townships of Johannesburg on Saturday and Sunday, and said Mr. Maylay's death was "terrible." He was known as a supporter of the United Democratic Front, which opposes apartheid.

WORLD BRIEFS

Gdansk Solidarity Official Is Arrested

WARSAW (NYT) — The Polish authorities have arrested the leader of the Solidarity underground in the Gdansk region. He had been in hiding since martial law was declared four years ago and the trade union movement was outlawed.

Arrested was Bogdan Borusewicz, 37, a member of the clandestine network of Solidarity's underground, which has been collecting provisions for the Solidarity underground and organizing an extensive network of supporters at factories and organizing an extensive network of illegal publications.

Mr. Borusewicz was arrested on Saturday at St. Bridget's Church in Gdansk, the Baltic port.

7 Seized in '84 Train Bombing in Italy

FLORENCE (AP) — Seven people have been arrested on charges of murder for a 1984 train bombing that killed 15 people and injured 180 near Bologna, officials announced Sunday.

A deputy prosecutor, Piero Luigi Vigna, said at a news conference that the seven men, all Italians, had been under house arrest since August on other charges. He said four of the men were believed to be members of the Sicilian Mafia, while three were thought to be members of the Neapolitan Camorra crime organization.

Mr. Vigna declined to outline evidence against the men or to indicate a possible motive. They were all charged with massacre with terrorist aims. The explosion was set off Dec. 23, 1984, as the train, bound from Naples to Milan, was passing through a tunnel south of Bologna.

Hu Accuses China Aides of Dishonesty

BEIJING (UPI) — China's Communist Party leader, Hu Yaobang, accused some officials of "dishonesty and dishonesty" at a conference of the party's army and government officials, the official Xinhua news agency reported.

In a separate speech at the conference, Mr. Hu said that some officials were "dishonest" in their work. He said that some officials were "dishonest" in their work. He said that some officials were "dishonest" in their work.

Mr. Hu, speaking at the conference on Thursday, deplored "dishonesty and dishonesty" by some officials, Xinhua reported Friday.

These problems, he said, were reflected in "political liberalism, ideological individualism, and factionalism" which were "harmful to the revolution."

Israeli Ministers Discuss Taba Dispute

JERUSALEM (NYT) — Key Labor and Likud cabinet ministers met Sunday to decide whether Israel should submit a longstanding border dispute with Egypt to international arbitration.

Government sources said it was still not clear whether the Labor ministers, who favor arbitration, will agree to arbitration concerning Taba, a stretch of beach in the Sinai, only with stringent conditions attached.

If the 10 ministers reach an agreement, the matter is settled. If they do not, the matter will be referred to the Supreme Court. The court will have to decide the matter before the full cabinet. This, however, could spark a coalition crisis.

Afghan Ruler Rejects U.S. Peace Role

TEHRAN (Reuters) — President Babrak Karmal of Afghanistan has rejected President Ronald Reagan's offer to serve as guarantor of a settlement of the war in his country.

In an interview in Kabul that was published Saturday in the Tokyo newspaper Asahi Shimbun, Mr. Karmal accused Washington of ignoring the political and social realities of Afghanistan. Mr. Reagan missed the Afghan issue at his November 1985 summit with Mikhail S. Gorbachev, the Soviet leader, in Moscow and offered afterward to be guarantor of a settlement providing for a withdrawal of Soviet forces and self-determination for the Afghan people.

Mr. Karmal ruled out any possibility of negotiations with guerrillas who have been fighting the government since Soviet troops intervened in Afghanistan in 1979. He said that Afghanistan and Pakistan had signed a final agreement on three points in Geneva last month during the sixth round of indirect talks on ending the war.

Terrorist Threat in Northern Europe

THE HAGUE, Netherlands (AP) — Buildings used by or for Israelis were under close guard Sunday in several northern European nations after a warning that they may have been targeted for terrorist strikes.

"We look very seriously at this threat," said Sven-Ake Hjalmarsson, chief of Sweden's security police. Swedish authorities said the warning, which came Thursday from the international police organization Interpol, indicated that a terrorist group led by Abu Nidal was planning to strike at Jewish or Israeli targets in Sweden, Denmark, Norway or the Netherlands within the next few days.

For the Record

Britain's foreign secretary, Sir Geoffrey Howe, arrived Saturday in Caracas on a three-day tour for the World Bank's East-West summit. The Iran-Iraq war and terrorism. He will also visit Kuwait and Saudi Arabia.

Yehoshua G. Berman, wife of Andrei D. Sakharov, the dissident Soviet physicist, entered a Boston hospital Sunday. She was scheduled to undergo heart bypass surgery Monday.

A Paris commercial court has delayed until Tuesday a decision on whether to appoint a magistrate to look into the purchase of Le Progrès de Lyon, France's fifth-largest provincial newspaper, by Robert Herpin in defiance of an anti-monopoly law.

Edmond Lee Browning, Episcopal bishop of Hawaii, was installed as presiding bishop of the church Saturday in Washington at a service moderated by Desmond M. Tutu, Anglican bishop of Johannesburg. Bishop Browning, 56, praised Bishop Tutu's "courageous witness against the evil of apartheid."

DOONESBURY



Ex-Rebel Shuns Kampala, Weakening Accord

By Blaine Harden
Washington Post Service

KAMPALA, Uganda — A peace agreement hailed last month as a cure for Uganda's 20 years of government-sponsored terror appears to be fraying.

Yoweri Museveni, the former rebel leader whose army has annexed a third of this East African country, has refused for nearly a month to come here to the capital and assume his position as a coequal in running all of the country's affairs.

Mr. Museveni, who is to become vice chairman of the ruling Military Council, said earlier this month that he would not come to Kampala unless Uganda's military government sent soldiers from preying on civilians and eliminates the killing and looting that have escalated since the peace agreement was signed in Nairobi on Dec. 17.

Mr. Museveni, the leader of the National Resistance Army, remains with his army of 10,000 in the southwest in an area held by his rebels.

The seven hills upon which Kampala is built continue to echo at night with gunfire from automatic weapons that the agreement was to have silenced. Roads leading south and west out of this city, all of which were to be cleared by the accord, remain blocked by armed soldiers of troops deep inside Angola, ANGOP, said Sunday that South Africa forces had been "jointly" with rebels of the UNITA, the movement led by Jonas Savimbi.

There was no comment from Pretoria on either report.

The government news agency, ANGOP, said Sunday that South Africa forces had been "jointly" with rebels of the UNITA, the movement led by Jonas Savimbi.

There was no comment from Pretoria on either report.

The government news agency, ANGOP, said Sunday that South Africa forces had been "jointly" with rebels of the UNITA, the movement led by Jonas Savimbi.

There was no comment from Pretoria on either report.

The government news agency, ANGOP, said Sunday that South Africa forces had been "jointly" with rebels of the UNITA, the movement led by Jonas Savimbi.

There was no comment from Pretoria on either report.

The government news agency, ANGOP, said Sunday that South Africa forces had been "jointly" with rebels of the UNITA, the movement led by Jonas Savimbi.

There was no comment from Pretoria on either report.

The government news agency, ANGOP, said Sunday that South Africa forces had been "jointly" with rebels of the UNITA, the movement led by Jonas Savimbi.

There was no comment from Pretoria on either report.

The government news agency, ANGOP, said Sunday that South Africa forces had been "jointly" with rebels of the UNITA, the movement led by Jonas Savimbi.

There was no comment from Pretoria on either report.



Yoweri Museveni

A headline that pleaded "Please, Museveni, come to Kampala" summed up the impatience in the capital.

Matthew Sekamanywa, said that looting and raping in the Mpigi area, about nine miles (15 kilometers) southwest of Kampala, have intensified sharply since the peace agreement.

The Kenyan government has

City Official Is Arrested

Police authorities have arrested a city official in the Oakland region. He had been charged four years ago with the murder of a woman.

Train Bombing in Italy

Police have arrested a man in connection with the bombing of a train in Italy. The man was charged with the murder of a woman.

China Aides of Dismissed

The Chinese government has dismissed several aides of a dismissed official. The aides were charged with the murder of a woman.

Notes About People

When The New York Times interviewed Kathleen Kennedy, the daughter of the late Senator Robert F. Kennedy, she was asked about her father's death.

Reject U.S. Pearl

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

AMERICAN TOPICS

Companies Cut Back On Staff Health Costs

General Motors Corp. says its costs for employee health care increased 14 percent a year from 1974 to 1983. In an effort to control these expenses under control, GM and thousands of other American companies have started programs aimed at reducing what they consider to be unnecessary procedures and drawn-out hospitalizations.

Many companies, The New York Times reports, are paying for second and third medical opinions and are influencing which physician the employee selects. They are also refusing to pay in full for procedures that their own medical advisory services say are not needed.

This is essential to move medical care to a system of accountability," says Dr. Charles Arnold of Metropolitan Life Insurance Co. "It is pretty clear that there is far more use of surgery and surgery than is necessary."

The results are unclear. The Employee Benefit Research Institute estimates that employers paid more than \$87 billion for group health insurance in 1984, up from \$82 billion in 1983 and about \$70 billion in 1982. So the growth of health-care costs is slowing down, but this may be the result of other cost-cutting measures.

Opponents of the companies' programs are surprised. Dr. James Todd of the American Medical Association says, "Increasing barriers are being placed between the patient and the medical care system." He asks, "When do these barriers become malpractice rather than savings?"

Notes About People

When The New York Times interviewed Kathleen Kennedy, the daughter of the late Senator Robert F. Kennedy, she was asked about her father's death.

Reject U.S. Pearl

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

eat in Northern

The Japanese government has rejected a U.S. proposal to build a new base in the Pacific. The proposal was for a new base in the Pacific.

Aides Say Reagan Budget Will Propose Deleting Some Federal Programs

By Gerald M. Boyd

WASHINGTON — President Ronald Reagan will propose eliminating several federal programs in 1987 to achieve more than a third of the \$30 billion in savings required under a new budget-balancing law, according to White House officials.

Mr. Reagan, in the budget he will submit to Congress in about three weeks, will call for about another third of the \$30 billion to come from cuts in other programs that are not as popular as the ones he is proposing to delete, officials said Saturday. They spoke on the condition they not be identified.

Slightly less than one-fourth of the needed savings would be generated through the large-scale sale of federal assets, which a high-ranking official said was being undertaken because "we need the money."

The officials did not name the programs Mr. Reagan would seek to eliminate, but they suggested strongly that the programs would be similar to ones that the president sought to terminate last year, such as the Small Business Administration and direct loans for the Export-Import Bank. Congress later voted to continue financing many of them.

The officials did name several broad categories that would be protected, including programs for the poor.

The \$30 billion in savings in fiscal 1987 are mandated by the recently enacted budget-balancing law, sponsored in the Senate by Phil Gramm, Republican of Texas, Warren B. Rudman, Republican of New Hampshire, and Senator F. Hollifield, Democrat of South Carolina.

The law sets a ceiling on the deficit of \$144 billion for fiscal 1987, which begins Oct. 1. The ceiling may be reached through spending cuts, tax increases or a combination of the two.

Mr. Reagan, who addressed Saturday, the president, provided a preview of the new budget proposal by saying he would seek to cut tax increases and would insist on the "maintenance of a strong defense."

Administration officials said Mr. Reagan would continue to insist on a 3-percent rise in military spending in addition to an increase to account for inflation.

"Last year," Reagan said, "our administration will meet its Gramm-Rudman-Hollifield obligations by submitting budgets which eliminate government inefficiency and current needless expenses like vast amounts for Amtrak and space travel for those who don't need them."

Mr. Reagan, in his budget for the fiscal year that began Oct. 1, had called for discontinuing a number of subsidies.

Besides the Small Business Administration and direct loans for Export-Import Bank, Mr. Reagan sought to eliminate training air carrier subsidies, the Rural Development Corp., subsidies in the health professions, the Appalachian Regional Commission, and Urban Development Action Grants, which are designed to promote local economic development.

Some congressional leaders have warned that the budget proposal will be "dead on arrival" in Congress if it seeks to achieve the savings mainly through eliminating programs.

But a White House official, promising a strong fight, said, "Reports of the budget's death are greatly exaggerated."

"This is the make-or-buy year," he said. "And for that reason we will fight tooth and nail for the budget."

A hearing on Budget Law Robert F. Kennedy Jr. of The New York Times reported from Washington.

A panel of three federal judges heard nearly three hours of impassioned debate Friday on the constitutionality of the budget-balancing law.



Shuttle Begins Mission After 7 Postponements

The space shuttle Columbia took off Sunday from Cape Canaveral, Florida, after seven postponements, a record for the program. The postponements were caused by bad weather and technical problems.

Joseph Kraft, Columnist and Author, Dies at 61

By Robert D. McFadden
New York Times Service
NEW YORK — Joseph Kraft, 61, the syndicated Washington columnist and author of books and articles on national and foreign affairs, has died at the Washington Hospital Center.

Mr. Kraft, who died Friday, entered the hospital about 10 days ago after writing his last column, Elizabeth Peabody, an assistant to Mr. Kraft, said that failure was apparently the cause of death.

Mr. Kraft, during a 35-year career, was an editorial writer for The Washington Post, a staff writer for The New York Times, a frequent contributor to The New Yorker and other magazines, a correspondent for Harper's Magazine in London, and a columnist for 15 years for Field News Service and, since 1980, for The Los Angeles Times Syndicate.

His columns appeared in about 200 newspapers in the United States and abroad, including the International Herald Tribune. He was known as a fiercely independent, widely traveled columnist with a liberal bent, a sharp eye for detail and an authoritative voice on national politics, domestic and foreign affairs, and a host of other subjects.

In three columns a week — the number was cut to two in the past year — Mr. Kraft often provided insight and opinions on public affairs that reflected many interviews with leaders and a careful study of public records.

He was an early and outspoken opponent of American involvement in the Vietnam War, a dogged commentator on the Watergate affair, a strong advocate of détente, and a critic of U.S. military and economic dominance in the world. He often used opinion-makers to pay more attention to the values of what he called Middle America.

"I believe he coined the term 'Middle America' in the 1960s," said Anthony Dey, the editor of the editorial pages of The Los Angeles Times. "By that, he meant the middle-class America whose values were overlooked by the opinion-molders on the two coasts."

Mr. Kraft, a dark-haired man with spectacles and an intense, restless manner, over the years spent much of his time traveling abroad and interviewed many of the world's leaders on a grueling schedule that may have contributed to heart attacks he suffered in the 1960s and 1970s.

Mr. Kraft had only one foray into politics, as a speechwriter for John F. Kennedy in the 1960 presidential campaign. He was a member of the panel of questioners for the television debates between Gerald R. Ford and Jimmy Carter in the 1976 presidential election.

He wrote four books: "The Struggle for Algeria," "The Grand Design: From Common Market to Atlantic Partnership," "Profiles in Power," and "The Chinese Difference."

Mr. Kraft was a frequent contributor to The Washington Post. He was a frequent contributor to The Washington Post.

Mr. Kraft was a frequent contributor to The Washington Post. He was a frequent contributor to The Washington Post.

Mr. Kraft was a frequent contributor to The Washington Post. He was a frequent contributor to The Washington Post.

Mr. Kraft was a frequent contributor to The Washington Post. He was a frequent contributor to The Washington Post.

Mr. Kraft was a frequent contributor to The Washington Post. He was a frequent contributor to The Washington Post.

Filipino Can Expect Civil War

By Raymond Bonner

BACOLOD, Philippines—A political climate, ripe for civil war, is developing in the Philippines, according to a report from a senior American diplomat here. The report, which was made public last week, says that the Philippine government is "not doing enough" to prevent the country from sliding into a civil war. The diplomat, who is a senior official in the State Department, said that the Philippine government is "not doing enough" to prevent the country from sliding into a civil war. The diplomat, who is a senior official in the State Department, said that the Philippine government is "not doing enough" to prevent the country from sliding into a civil war.

U.S. Calls Sanctions on Syria Possible, but Not Planned Now

By Bernard Gwertzman

New York Times Service

WASHINGTON—Administration officials say there is a possibility that economic sanctions similar to those imposed on Libya might be levied against Syria but that there are now no active plans to do so.

Amid sometimes contradictory comments by different officials, Robert B. Oakley, the head of the State Department's counterterrorism office, said Friday that he and other officials stood by a statement Thursday that there could be sanctions against Syria if it supports the Abu Nidal Palestinian group could be traced to future terrorist activities.

The administration has accused the Abu Nidal group, which is opposed to the mainstream Palestine Liberation Organization faction led by Yasser Arafat, of carrying out terrorist attacks, including the attack on the 22 at the Rome and Vienna airports.

Mr. Oakley said there were no plans for sanctions against Syria because the United States "did not have the evidence against Syria that it says it has against Libya."

Mr. Oakley said the prime U.S. concern was the activities of Abu Nidal terrorist activities since the group moved much of its organization in 1984 from Damascus to Tripoli, the Libyan capital.

"But we're not saying, and we

don't believe in our consultations with other governments, whether they are Arab or European, that we're dealing exclusively with Libya," Mr. Oakley said. "That happens to be the question of the moment. The media are all talking about Libya. In response to that, we put out a white paper about Libya. Then people say, 'Well, why have you forgotten Syria?'"

"We haven't forgotten Syria," he said.

Syria Aides Dismissed

Elite Soldiers of the New York Times reported from Damascus:

Warnings by Reagan administration officials that there was a possibility of imposing punitive sanctions against Syria stung senior Syrian officials and Western diplomats here Saturday.

Although the U.S. officials emphasized Friday that there were no immediate plans to impose such sanctions, officials said the remarks could damage the already strained relations between the United States and Syria.

"No matter what we do, our thoughts are not limited to the United States," an aide to President Hafiz al-Assad said. "If we are helping you to regain your kidnapped people and you continue to make senseless speculations, what can we now do for them?"

Syria has been involved in negotiations to free four Frenchmen and six Americans held by radical groups in Lebanon, and it helped negotiate the release of Americans on a Trans World Airlines plane hijacked to Beirut last June.

Mr. Shultz said he was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

to forbid Palestinians from coming into our country."

Representatives of Abu Nidal militants in two separate offices in central Damascus, according to a Western ambassador. One functioned as an information center, the other as a sort of foreign affairs bureau, he said.

A few days ago, an Austrian magazine published an interview with Walid Awad, identified as a spokesman for the Abu Nidal command group.

Mr. Awad was quoted as saying: "We support the attacks at Vienna and Rome airport's El Al counters as a legitimate form of struggle. Unfortunately, we cannot claim credit for these attacks."

'Libyan Connection'

Secretary of State George P. Shultz said Sunday there was a "very definite Libya connection" to attacks on the Rome and Vienna airports despite reports the terrorists were trained in an area controlled by Syria, United Press International reported from Washington.

"Libya has provided financial support," he said, "but the terrorist groups, particularly the Abu Nidal group," Mr. Shultz said in a television appearance.

Mr. Shultz said some of the terrorists in the airport attacks carried Tunisian passports that had been confiscated by Libyan authorities, "so they had to come from Libya."

That doesn't mean everything that was done was connected to Libya," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."

Mr. Shultz was careful to draw a distinction between Libya and Syria. "Libya is a very definite Libya connection to a very definite Libya connection," he said, "but surely there is a very definite Libya connection to a very definite Libya connection."



Death March in Colombia

A Colombian guerrilla faction says it has sentenced to death these five men and a boy as army spies. Javier Delgado, head of the Ricardo Franco Front, said he was proud of having killed 158 guerrilla members accused as spies, some women and children. Many of their bodies were found in mass graves last week in southwestern Colombia. The six were photographed last week in a mountain camp.

Craxi Warns Of Further Terrorism

By E.J. Dionne Jr.

New York Times Service

ROME—Prime Minister Bettino Craxi has warned Parliament that instability in the Middle East has created a "high risk" that Italy will face new terrorist attacks.

In his semiannual report to Parliament on the activities of Italian intelligence services, Mr. Craxi said Italy had uncovered about 70 foreign spies in the last six months. He said the large number suggested that Italy was facing an unusual period of violence.

The prime minister, leader of the Socialist Party, said the country faced a "permanent danger posed by certain Middle East groups whose terrorist initiatives can be seen in the wider context of international subversion."

His report followed an attack at the airport here Dec. 27 in which 16 people were killed. Three people were killed in a similar attack on the same day in Vienna.

Several Italian newspapers reported Sunday that two Soviet reconnaissance planes violated Italian airspace Thursday near the NATO base in Sigonella, Sicily.

One of the papers, the Milan daily Corriere della Sera, also reported that a Soviet spy ship, the Verkhovskiy, was anchored off the Italian coast and was monitoring radio traffic between the base and American and Italian planes.

Mr. Craxi's report on terrorism, theoretically secret but in fact widely circulated, said divisions within the Palestinian movement and among Arab governments could create a climate for further attacks on Italian soil.

Italy faced a wave of domestic terrorism in the late 1970s and early 1980s from groups on both the extreme left and the extreme right.

Mr. Craxi said the domestic terrorism had largely abated, though he reiterated past statements warning of a danger of terrorist attacks throughout Europe against North Atlantic Treaty Organization targets.

Reflecting fears that terrorists maintain an infrastructure in Italy for their actions, the report speculated that domestic criminal groups could be providing arms to both Italian terrorists and foreigners operating in Italy.

Physicists Questioning Laser Defense

(Continued from Page 1)

major cities by fire. The attack would proceed city by city, the attack time for each city being only a matter of minutes. Not nuclear destruction, but Armageddon all the same.

Lasers "have the potential of initiating massive urban fires and even of destroying the enemy's major cities by fire in a matter of hours," according to the article by Caroline L. Herzig, a government physicist at the Argonne National Laboratory.

"Such mass fires might be expected to generate smoke in amounts comparable to the amounts generated in some major nuclear exchange scenarios," the article said in the current issue of Physics and Society, a publication of the American Physical Society.

That could cause "a climatic catastrophe similar to nuclear winter," a reference to the disastrous lowering of the Earth's temperature many scientists believe would result from the smoke and dust generated by a nuclear war.

The R & D study, which was circulated among government weapons scientists, did not mention a nuclear winter but did emphasize that lasers were not intrinsically defensive weapons and could be used to start massive fires.

"The lasers can be employed in a manner not contemplated by the SDI," said Albert L. Latter and Ernest A. Marinelli, who wrote the eight-page R & D study and are advocates of a stronger U.S. defense.

"Specifically," they wrote, lasers "can be targeted against the same entities they were designed to protect: the cities."

"After spending hundreds of billions of dollars we would be back where we started from: deterrence by retaliation. Our cities would be hostage to lasers instead of nuclear weapons," the report said.

The authors suggested that laser weapons might also be used against Soviet conventional forces.

"For those who have advocated limited nuclear options against the Soviet Union itself, limited laser options would produce less collateral damage and be just as effective otherwise," they wrote.

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

But the spokeswoman, who asked for anonymity, added that "this is not a problem that we are addressing at this time. It is not the intention of SDI to start fires. This is an anti-ballistic program. She also denied that lasers de-

signed for defense could be used as offensive weapons.

"They would have to be designed differently to cause fires," she said. Theodore A. Postel, until recently adviser on nuclear weapons to the chief of Naval Operations, and an expert on the implications of fire storms, said:

"If you were attempting to set fires with an optical laser that was already sufficiently powerful to attack hardened ICBM boosters, there is no question that such a device could also be used to create mass fires of enormous scale and ferocity—mass urban fires potentially larger and more intense than those created by the great incendiary raids on Hamburg and Dresden in World War II."

The danger of laser-induced fires had not been much noticed by critics or proponents of the space defense system until the appearance of the article and the R & D study. A spokeswoman for the SDI Organization, which coordinates research on the system, said after checking with other officials that "lasers could start fires."

U.S. View Of Vietnam Out of Focus, Observers Say

(Continued from Page 1)

ism, Hanoi has been unable to suppress private traders who still manipulate the rice market.

But, out of pride and ideological orthodoxy, Vietnamese leaders almost always refer to the country as "reconstructing" rather than "developing." They insist that diplomatic relations with Washington would be of "mutual benefit."

Foreigners who live in Hanoi say that while the Vietnamese people may seem secretive or uncommunicative, they are neither inherently militaristic nor highly disciplined, as they have been portrayed in the West, except in the army.

The remarkable self-sacrifice that sustained a 30-year fight for independence, diplomats and some Vietnamese who suggest, is not translating easily into willingness to die for Cambodia. The new war is categorized in Hanoi as "implementing an international obligation."

Many Vietnamese also cling to some stereotypical pictures of Americans.

"Americans are stingy and selfish; they do not pay attention to the suffering of other people," Hong Ha, the editor of the Communist Party newspaper and a member of the party's Central Committee, said last week.

His remark, which he said reflected letters the newspaper had received from readers, referred to the well-publicized U.S. failure to offer aid to Vietnam last fall after storms left crops ruined and hundreds of thousands homeless.

The Vietnamese also resent Washington's insistence that their country account for nearly 1,800 missing U.S. servicemen, or MIAs. That figure is a small fraction of the number of Vietnamese still unaccounted for in their own land.

The danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Joni Saris, 46, a Druse member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nabulis's busy commercial street while shopping with his wife and children.

The shootings also underscored the danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Joni Saris, 46, a Druse member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nabulis's busy commercial street while shopping with his wife and children.

The shootings also underscored the danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Joni Saris, 46, a Druse member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nabulis's busy commercial street while shopping with his wife and children.

The shootings also underscored the danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Joni Saris, 46, a Druse member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nabulis's busy commercial street while shopping with his wife and children.

The shootings also underscored the danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Joni Saris, 46, a Druse member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nabulis's busy commercial street while shopping with his wife and children.

The shootings also underscored the danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Joni Saris, 46, a Druse member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nabulis's busy commercial street while shopping with his wife and children.

The shootings also underscored the danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Joni Saris, 46, a Druse member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nabulis's busy commercial street while shopping with his wife and children.

The shootings also underscored the danger to increasing numbers of Israelis who regularly visit West Bank Arab markets on Saturdays looking for bargains.

The Israeli Army command said that Corporal Joni Saris, 46, a Druse member of the paramilitary border police since 1967, was gunned down outside a clothing store in Nabulis's busy commercial street while shopping with his wife and children.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-422-1277.
Prices may vary according to market conditions and other factors.

RECENT ISSUES

Jan. 10

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

STRAIGHT BONDS
All Currencies Except DM

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

HIGHEST YIELDS
to Average Life Below 5 Years

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

HIGHEST YIELDS
to Average Life Above 5 Years

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

HIGHEST CURRENT YIELDS

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

ZERO-COUPON BONDS

Jan. 10

Asset	Security	Yield	Price	Lot	Cur.
1000000	1000000	1000000	1000000	1000000	1000000
1000000	1000000	1000000	1000000	1000000	1000000

WestLB

Eurobonds · DM Bonds · Schuldscheine
for dealing prices call

Düsseldorf

Westdeutsche Landesbank, Head Office, P.O. Box 1128, 4000 Düsseldorf
International Bond Trading and Sales: Telephone 8 26 31 22/8 26 37 41
Telex 8 581 88/9 581 882

London

Westdeutsche Landesbank, 41, Moorgate, London EC2R 6AE/UK
Telephone 6 38 041 - Telex 887 954

Luxembourg

WestLB International S.A., 32-34, Boulevard Grande-Duchesse Charlotte,
Luxembourg, Telephone 4 47 41-43 - Telex 1679

Hong Kong

Westdeutsche Landesbank, BA Tower, 36th Floor, 12 Harbour Road,
Hong Kong, Telephone 5-8420 288 - Telex 75142 HK

Marketmakers in Deutschmark Bonds WestLB
Westdeutsche Landesbank

Aust	Security	Yield		Aust	Security	Yield	
		%	Price			%	Price
(Continued from Page 6)							
100	Swiss Fed 1/2	5.25	100.00	100	Swiss Fed 1/2	5.25	100.00
100	Swiss Fed 1/4	5.25	100.00	100	Swiss Fed 1/4	5.25	100.00
100	Swiss Fed 1/8	5.25	100.00	100	Swiss Fed 1/8	5.25	100.00
100	Swiss Fed 1/16	5.25	100.00	100	Swiss Fed 1/16	5.25	100.00
100	Swiss Fed 1/32	5.25	100.00	100	Swiss Fed 1/32	5.25	100.00
100	Swiss Fed 1/64	5.25	100.00	100	Swiss Fed 1/64	5.25	100.00
100	Swiss Fed 1/128	5.25	100.00	100	Swiss Fed 1/128	5.25	100.00
100	Swiss Fed 1/256	5.25	100.00	100	Swiss Fed 1/256	5.25	100.00
100	Swiss Fed 1/512	5.25	100.00	100	Swiss Fed 1/512	5.25	100.00
100	Swiss Fed 1/1024	5.25	100.00	100	Swiss Fed 1/1024	5.25	100.00
100	Swiss Fed 1/2048	5.25	100.00	100	Swiss Fed 1/2048	5.25	100.00
100	Swiss Fed 1/4096	5.25	100.00	100	Swiss Fed 1/4096	5.25	100.00
100	Swiss Fed 1/8192	5.25	100.00	100	Swiss Fed 1/8192	5.25	100.00
100	Swiss Fed 1/16384	5.25	100.00	100	Swiss Fed 1/16384	5.25	100.00
100	Swiss Fed 1/32768	5.25	100.00	100	Swiss Fed 1/32768	5.25	100.00
100	Swiss Fed 1/65536	5.25	100.00	100	Swiss Fed 1/65536	5.25	100.00
100	Swiss Fed 1/131072	5.25	100.00	100	Swiss Fed 1/131072	5.25	100.00
100	Swiss Fed 1/262144	5.25	100.00	100	Swiss Fed 1/262144	5.25	100.00
100	Swiss Fed 1/524288	5.25	100.00	100	Swiss Fed 1/524288	5.25	100.00
100	Swiss Fed 1/1048576	5.25	100.00	100	Swiss Fed 1/1048576	5.25	100.00
100	Swiss Fed 1/2097152	5.25	100.00	100	Swiss Fed 1/2097152	5.25	100.00
100	Swiss Fed 1/4194304	5.25	100.00	100	Swiss Fed 1/4194304	5.25	100.00
100	Swiss Fed 1/8388608	5.25	100.00	100	Swiss Fed 1/8388608	5.25	100.00
100	Swiss Fed 1/16777216	5.25	100.00	100	Swiss Fed 1/16777216	5.25	100.00
100	Swiss Fed 1/33554432	5.25	100.00	100	Swiss Fed 1/33554432	5.25	100.00
100	Swiss Fed 1/67108864	5.25	100.00	100	Swiss Fed 1/67108864	5.25	100.00
100	Swiss Fed 1/134217728	5.25	100.00	100	Swiss Fed 1/134217728	5.25	100.00
100	Swiss Fed 1/268435456	5.25	100.00	100	Swiss Fed 1/268435456	5.25	100.00
100	Swiss Fed 1/536870912	5.25	100.00	100	Swiss Fed 1/536870912	5.25	100.00
100	Swiss Fed 1/1073741824	5.25	100.00	100	Swiss Fed 1/1073741824	5.25	100.00
100	Swiss Fed 1/2147483648	5.25	100.00	100	Swiss Fed 1/2147483648	5.25	100.00
100	Swiss Fed 1/4294967296	5.25	100.00	100	Swiss Fed 1/4294967296	5.25	100.00
100	Swiss Fed 1/8589934592	5.25	100.00	100	Swiss Fed 1/8589934592	5.25	100.00
100	Swiss Fed 1/17179869184	5.25	100.00	100	Swiss Fed 1/17179869184	5.25	100.00
100	Swiss Fed 1/34359738368	5.25	100.00	100	Swiss Fed 1/34359738368	5.25	100.00
100	Swiss Fed 1/68719476736	5.25	100.00	100	Swiss Fed 1/68719476736	5.25	100.00
100	Swiss Fed 1/137438953472	5.25	100.00	100	Swiss Fed 1/137438953472	5.25	100.00
100	Swiss Fed 1/274877906944	5.25</					

AUSTRALIA						
dim 100	Australia	7	10 Feb	W1	1.99	1.25
dim 200	Australia Ps	254	10 Oct	100A	6.48	
dim 230	Australia	4	18 Jan	100	1.14	
dim 250	Australia	58	10 Nov	100A	1.67	1.65

OTC consolidated trading for week ended Friday.

Index In				Net				Index In				Net				
100s High Low Last Chg								100s High Low Last Chg								
A								D								
Ad Imp				490				490					490			
Ad Tot				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			
Ad Rev				490				490					490			
Ad Net				490				490					490			
Ad Exp				490				490					490			

[illegible][illegible][illegible]

Both bulls and bears turn to the
Commodities Column.

On convertibles having a conversion premium of less than 10%.

54

[illegible]

Explanation of Symbols			
Cdn	Canadian Dollar	SFR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	L	Luxembourg Franc
DM	Deutsch Mark	Sfr	Swiss Franc
DL	Danish Lira		

A Monthly Report for the International Investor

Herald Tribune.

Monday, January 13, 1986

PERSONAL INVESTING

FOCUS

Asia's Small Markets Face Year of the Tiger

NEXT month usher in the Year of the Tiger, when, according to Chinese astrology, "powerful, aggressive forces" are unleashed. Both World War I and the Korean War began under this sign, which recurs every 12 years. Some specialists in the small stock markets that dot eastern Asia temper their optimistic forecasts with a wary warning of the fierce feline's approach.

Even those who dismiss such tales acknowledge that these markets are subject to unpredictable forces. Trading on Singapore's and Malaysia's exchanges, for instance, was suspended for three days last month when the Singapore conglomerate Pan-Electric Industries was unable to honor commitments to purchase \$5.7 million worth of stock. The Taiwan exchange tumbled early last year on the news of a scandal and the Philippines market has all but dried up in light of the problems confronting the Marcos regime.

Even before these recent misfortunes, small Asian markets were far from hospitable to outsiders. If not deterred by high withholding taxes and limited access, investors found themselves in immature markets hampered by limited liquidity and poor disclosure practices. Yet, the prospect of strong economic growth and relatively cheap stocks has proven an irresistible combination to many investors.

IN RECENT years, Singapore and its sister exchange in Kuala Lumpur have been the best bet for investors. Together, they have a larger capitalization than Hong Kong and, in the early 1980s, they outperformed most of the world's exchanges. Last year, however, they joined Thailand and Taiwan on the short list of losers in a world of bullish trading.

"If you'd asked me three months ago, I'd have said Singapore is the market to go for," confessed Alan Carvell, Pacific Basin analyst at Phillips & Drew's London office. Now, he suggests avoiding the market for at least a year. He and Peter Chan, an Asian stock specialist with Singapore International Merchant Bankers Ltd., foresee slow growth for that period. Still, if an investor wants into the market, Mr. Chan and Mr. Carvell recommend Singapore Airlines, the profitable carrier that went public last year. Both analysts expect the company to benefit from declining fuel prices and the fact that it generally holds more European currencies than U.S. dollars.

THE outlook for the Thailand exchange is decidedly more bullish. Nicknamed "the rice bowl of Asia," Thailand's agricultural base makes it relatively independent from the U.S. economy and it boasts the best growth prospects in the region. Contrary to those who consider the political situation murky, Mr. Carvell said he believes that the recent ouster of Prime Minister Prem Tinsulanonda, who last year quashed a coup attempt after only a few hours, "works."

Among his favorites Thai stocks is Siam Cement. Shielded from cheaper Korean imports by the absence of a deep-water port in Thailand, the company is selling at 4½ times earnings. Mr. Carvell also cites the Industrial Finance Corp. of Thailand, which was set up in 1959 to provide local capital to companies. Taiwan is a lot trickier. It is among the Asian countries that restrict foreign investment in their equity markets to a handful of approved firms. Tim Pethbridge, an Asian specialist at Vickers de Costa, says that the market has recovered from last year's steep decline, which was linked to the collapse of Caltex Plastics when some executives were accused of financial irregularities. He expects the country's growth rate to continue to exceed most Western nations. One of his current picks is Formosa Plastics, which would benefit from declining oil prices.

As for the Philippines, most global money managers are side-stepping the Manila and Makati exchanges until the country's political and economic picture improves. With the government of President Ferdinand E. Marcos facing a domestic insurgency and a faltering economy, Jeffrey Harwood of Vickers de Costa warns that "things will get worse before they get better."

Leslie Whitaker

Strait Times Index	620.03	612.61	-24%
Thailand Stock Index	134.95	142.29	-5%
Taiwan Stock Index	830.31	838.07	-1%

Source: Vickers de Costa

UPDATE

Another Big Step For Platinum

PLATINUM hit new highs again last week due to a strike at one of South Africa's biggest mines. The metal jumped \$13.40 and broke through the important psychological barrier of \$360 per ounce that has held since last April, and leading analysts now say that \$400 an ounce might be the next stop.

The volatile metal, which sold for \$265 an ounce as recently as six months ago, has in the latest climb Jan. 6 through the management of Impala Platinum Holdings Ltd., the world's second-largest platinum mine, dismissed 20,000 of 30,000 miners during a strike.

Although the metal's price settled back slightly, analysts continue to be bullish over lingering effects of the strike, since South Africa controls some 80 percent of the world's supply. Some analysts say they believe the rally was unjustified in light of South Africa's available labor pool, but others say that months might pass before enough newly hired workers could bring Impala's production back to normal.

Bernard Saville, senior metals analyst at Price Webber in New York, said he believes now that the metal has climbed above the \$360 mark, platinum might not come under any heavy selling pressure until it reaches \$400. "There really is no resistance," he said.

Commodities James Kneafsey, head of Cambridge Commodities Corp., suggests that investors take a long-term view, however, because the metal might show some interim volatility during a gradual rise.

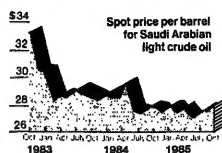
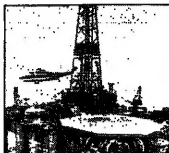
Bruce Hager

Bonds: The '85 Rally Will Be Tough to Follow

Why Bonds Rallied in '85

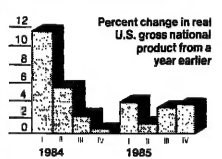
1 Low Inflation

Weak prices for such key commodities as oil have helped pull inflation rates sharply lower. Bond investors have more confidence that inflation will not erode the value of their investments.



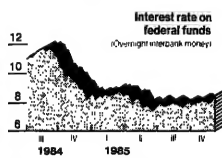
2 Moderate Growth

Economic growth has neither sped out of control nor dropped off in recession. This steady pattern means that business demand for credit is not likely to push up interest rates, which hurts bond prices, and that growth will be sufficient for businesses to meet their debt obligations.



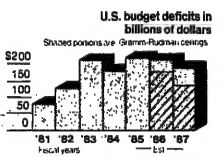
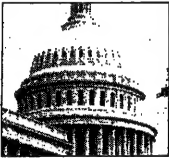
3 Stable Rate Outlook

Monetary authorities in the major industrial nations have cut their key interest rates. While rates may not fall much further, few analysts see them rising sharply in the near term.



4 U.S. Deficit Hopes

Congressional passage of the Gramm-Rudman measure, which puts ceilings on future U.S. budget deficits, has helped buoy bond markets. The deficit has been blamed by many analysts for keeping interest rates high in inflation-adjusted terms.



What to Look for in a Newsletter

By Edith Cohen

NINETEEN eighty-six will separate the men from the boys, proclaimed Joseph Granville of the Granville Market Letter as 1985 ended. The man whose exhortations have occasionally moved markets was reposing a fervent bullish outlook, not only for the market in general but for the scores of investment newsletters that have appeared in the past few years promising to lead investors to bigger rewards.

Whether or not the Dow Jones Industrial Average sheds 398 points by July as Mr. Granville predicts—which would parallel 1910, he notes, when a major bear market followed the last sighting of Halley's comet—investors will want a sensible way to sort through the growing stack of newsletters. There are about 600 newsletters published in the United States alone, and their popularity generally increases as the stock market rises.

Such letters typically appear once or twice a month, and some send out brief, interim updates. A subscription may cost

as much as few hundred dollars a year. In perhaps a dozen pages or less, they range from philosophical analyses of market trends to terse, bulletin-like recommendations of the hottest plays. Some offer model portfolios. Others may provide theoretical analyses, tidbits of little-known information, a kind of investment hand-holding, or some combination.

James Grant, editor of Grant's Interest Rate Observer, published in New York every two weeks, said that many people look to newsletters with the wrong goal. "What everyone wants to find is something that tells you what to buy, assumes all anxiety and makes you richer than you thought possible," Mr. Grant said. "You're not going to find it."

The investor, he said, ought not to think "that someone is going to come along with all the answers all the time. If you think you'll get all the answers by blindly following a letter's recommendations, you will end up feeling betrayed because it's supposed to make you rich and it doesn't."

What you should be seeking, Mr. Grant said, is "something that will stimulate your

(Continued on Page 11)

There may be some setbacks in '86, but many professionals say bonds will maintain their allure.

By Bruce Hager

AS MOST investors know, 1985 was a vintage year for stocks. In New York, the Standard & Poor's index surged 26.3 percent while exchanges in Frankfurt, Milan, London and Vienna touched record highs. Less heralded but no less spectacular was the rally in bonds, especially in the United States.

As interest rates dropped, bond prices marched upward, generating hefty returns. In fact, a Smith Barney analysis showed that 20-year U.S. Treasury bonds narrowly edged out equities, 32 percent to 31.6 percent on a total return basis, which includes income in the form of interest or dividends plus price gains.

Consider an investor who bought a 30-year Treasury bond with an 11½-percent coupon last January. At that time, the bond was selling for about \$1,015. A year later, the bond was selling for about \$1,200. Adding the coupon interest of \$117.50 pushes the gain to a total \$302.50, or about 30 percent.

Some investors find this surprising. To many, fixed-income instruments represent equity's demure but dull sister, a risk-averse way of preserving capital and earning interest. But sharp interest rate moves over the last few years have shown how prices and yields can radically change, making bonds as volatile and potentially rewarding as stocks under some conditions.

But professionals note that this volatility cuts two ways. "The bond market can be a crucible," said Dale Krueger, head of the New York investment management firm, Carnegie Hill Asset Management. "A 1-percent rise or fall in interest rates can translate into a 5- to 10-percent rise or fall in bond yield."

The bond market's capriciousness was in full evidence last week when the announcement of substantially improved U.S. employment figures sent interest rates higher and pushed prices sharply lower. The reasoning was that the Federal Reserve would have less incentive to cut its discount rate as a means of insuring that the recovery continued.

Such seemingly perverse behavior is

only one example of the obstacles to understanding the bond market. Though bonds are lumped together with stocks under the broad heading of financial instruments, investors often find them more difficult to fashion than stocks. In the minds of investors, a stock reflects the fortunes of an individual business, while bond values are shaped by macroeconomic abstractions. The complex mathematics that professionals use to compare bonds can mystify the layman, and currency turmoil and a proliferation of new fixed-income instruments has added to the confusion.

Despite the complexity, bonds still have a lot going for them in the current low-inflation environment, although 1985 clearly will be a tough act to follow. Overall, long-term U.S. interest rates have fallen about 400 basis points, or hundredths of a percentage point, in the last year and a half. And some economists predict that interest rates will fall even further before year-end.

Even if inflation rates and interest rates move upward, slack oil prices and sluggish growth are seen reducing the chances of a major setback for bondholders. Furthermore, the passage of the Gramm-Rudman bill, an effort to balance the U.S. budget by 1991, has added to investors' willingness to hold bonds over the long haul. By some of the more optimistic estimates, interest rates could fall as average of 1 percent a year over the next five years, providing big potential for investors willing to make a commitment now.

Peter Cooper, vice president at Kidder, Peabody & Co., is among those who believe that the current environment of 3.5-percent inflation and 9.5-percent interest rates bodes well for bonds. "Our thesis has always been that bonds are a good thing to buy if you can get a return of 300 basis points above the inflation rate," he said. Matching an investment strategy to individual needs can be tricky, however. There are about as many possible bond strategies as there are different types of investors. When constructing a bond portfolio, professional money managers keep in mind such factors as an investor's cash flow needs and tolerance for risk.

In general, aggressive investors will at-

(Continued on Page 10)



85% of our new Private Banking clients were referred to us by existing clients. What more do we have to say?



Private Banking International

For information on our worldwide Private Banking services, call or write:

Mr. Barry Geller
Chase Manhattan Bank (Switzerland)
62 Rue du Rhône
1204 Geneva, Switzerland
Tel. (41) 22 53 35 35

Mr. Paul Lohr
The Chase Manhattan Bank, N.A.
Woolgate House, Credenham Street
London EC2P 2HD, England
Tel. (44) 1 726 5130

Western Hemisphere: New York, Miami, Houston, Los Angeles, San Francisco, Minneapolis, Dallas, Phoenix, Puerto Rico, Rangoon, Caracas, Amsterdam, Frankfurt, Zurich, Luxembourg, Bonn, Munich, Paris, Zurich, Asia/Pacific: Hong Kong, Singapore, Middle East: Bahrain.



Mark Hulbert of Hulbert Financial Digest links performance to "good philosophical underpinnings."

AP Wire Photo

BOURSES

Vienna Modernizes Amid Surge

By David Timin

NEW OBSERVERS are quite surprised by the sensational achievement of the Vienna Stock Exchange as the Austrians themselves. "Until now, the Austrians were barely aware that we had a stock exchange," said Edward Oswald, a new issues manager at Girocentral, Austria's second-largest bank. "Now they are starting to invest in it."

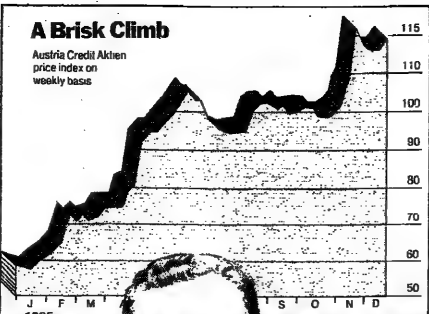
So, too, are foreigners. After long being regarded by international money managers as one of Europe's least interesting markets, the Vienna exchange suddenly took off in 1985 and achieved the distinction of doubling its value. In a year that saw Austria's corporate image tarnished by scandals and losses in state-owned industries, the Creditanstalt-Kreditbank index rose 102 percent last year to close at 118.66. Only Milan, Europe's other high-flying bourse, can point to a similar achievement. Even then, Vienna had the edge, since the strong schilling yielded a better return on investments in U.S. dollar terms than the lira.

Leading the Vienna upsurge were banks and insurance companies. The share prices of Erste Allgemeine Versicherung, a leading insurance company, rose 298 percent, while the price of Internafin, another insurance concern, rose 273 percent. Industrialists did as well. Leykam-Müller Papier- und Zellstoff, a paper products maker, increased 306 percent, and Vöest-Alpine, industrial chemicals producer, rose 244 percent.

It is easy to explain Vienna's surprising upsurge. Ever since it attained full independence in 1955, Austria has been closely tied to its finances and currency to West Germany. After the Frankfurt exchange rose early last year to expansive levels, German and foreign investors were shopping for bargains in Vienna. The large and continuing influx of funds from abroad into Austria's extremely narrow market stirred the exchange climbing. According to Robert Jell, director of the securities department at Creditanstalt, Austria's biggest bank, at least 60 percent of new stock purchases are made by foreigners.

The market boom also has strong sources of support at home. Austria's finance minister Franz Vranitzky, a former banker, has instituted a number of incentives to encourage private investment in Austrian shares. This year investors will benefit from the so-called *Gewinnsteuer*, or "employment certificate." The Government enables an investor with a family of four to write off as much as 90,000 schillings (about \$3,200) a year against income tax.

The huge success of 1985 convinced Vienna



Karl Pale, president of the Vienna Stock Exchange.

stock exchange officials to bring their own trading customs into line with the major markets of the world. Until now, the Vienna exchange had been an odd man out by following the archaic practice of quoting the price of a share as the percentage of its increase from par value, or multiples of 100. Under that system, shares with nominal values of 100 schillings and 1,000 schillings both were quoted at 150 on the exchange if their prices rose by 50 percent.

The Vienna exchange closed for the first three trading days of 1986 to adopt a unit pricing system. "The new system is all part of the internationalization of Vienna's market," declared Karl Pale, president of the Vienna exchange and chairman of Girocentral bank. "We realize we must expand and consolidate our market if we are to hold on to our recent gains."

Still, Vienna has quite a way to go before it rivals even Zurich or Amsterdam as a financial center. The market itself is very small. There are only 51 Austrian companies listed on the exchange plus 26 foreign issues. The exchange's total capitalization is equivalent to a mere \$3.5 billion and daily volume averages about \$3.5 million. Even though volume was three times higher in 1985 than in previous years, the trading period has been extended by only 30 minutes to a total of two hours a day.

Most Vienna analysts are guardedly optimistic about the market's prospects. Following 1985's rise, some experts consider the market too expensive. A confidential study by a highly respected Vienna bank places the price-earnings ratio of 17 representative issues at 22, an indication that Vienna may be the second-highest priced market after Tokyo.

Few analysts expect the market to repeat its 1985 performance. But many believe that the market could advance 15 percent to 30 percent this year, though the upward progress is likely to be uneven due to profit-taking and corrections.

Analysts are looking for continued growth in a number of issues, notably Creditanstalt's preferred shares, since the bank expects higher earnings in 1986 from its industrial holdings. Also cited were Leasing, the world's largest producer of rayon staple fibers and a newcomer to the exchange, and Perforator, Austria's largest cement producer, which barely kept pace with the market in 1985 but might now take off. An outside possibility is Jungbunzlauer, a biotechnology company that this year is bringing out a new type of food preservative.

Market Mystery: January's Effect

By Anise C. Wallace

New York

IT'S PROBABLY not in the same league with the theory of relativity or the discovery of electricity, but the stock market's "January effect" has spurred dozens of studies. According to the research, the share of companies with lower-than-average market capitalizations should outperform the stocks of larger companies this month.

"Certainly, all the academic research says that it's true, and our experience says that it's true," said Preston G. Athey, a vice president and portfolio manager of the T. Rowe Price Associates New Horizons Mutual Fund, which invests \$1.5 billion in the stocks of small companies.

Donald B. Keim, an assistant professor of finance at the Wharton School of Business, analyzed the returns of small and large stocks for every year back to 1930. And in only two of those years did the stocks of small companies fail to beat the large ones in the first month of the year.

Mr. Keim and others point out that, over time, the stocks of small companies, on average, have best on the stocks of larger companies. And they believe that most of this "January effect" is due to the fact that investors are not paid any premium for holding small stocks for the remaining 11 months of the year.

According to Mr. Keim, the smallest of the small stocks do the best during this month. He ranked the stocks that trade on the New York and American Stock Exchanges by their capitalization into 10 groups, or deciles. The decile that includes the stocks with the lowest capitalization — those with less than \$20 million in market value — had the greatest run-ups in January. Those companies with the largest market value tended to perform in line with the broad market averages, such as the Standard & Poor's 500 index.

Not even the academics who have conducted the research claim to know for certain why the January effect occurs — or why it missed a couple of years. But theories abound.

One of the most popular is that the stocks of smaller companies rebound in January after the tax-loss selling ends in December.

"Clearly the ones that seem to do the best are those that have strong tax-loss selling," said Mr. Athey of T. Rowe Price. Then again, there is evidence that taxes may have nothing to do with the January effect. For example, it also occurs in Britain, despite the fact that the fiscal year there does not end in December, as it does in the United States, said Andrew Rudd, managing director of Barra, an investment consulting firm based in Berkeley, California.

Mr. Rudd noted that the January effect occurs, to a small extent, in Japan as well. Another theory concerns greater market liquidity. Some professionals believe that the January effect results from more money being in the market at the turn of the year. At year-end, for a number of reasons, individuals tend to throw more money into the market and institutions get more inflows of cash from their pension fund clients, they say.

Experts point to several factors that speculative investors can try to make money on the January effect. If they believe that the market is going to advance during the month, they can load up on small stocks. Despite last week's jolt to the stock market, Mr. Athey said he believes the January effect will work. Included in the New Horizons Fund are a number of issues that he expects to benefit from the effect. They include Thomas Nelson Inc., which publishes Bibles; Action Industries, which puts together promotions for retailers; Lusk's, which sells discount home furnishings and electronics; Software Publishing and Massachusetts Computer.

In any event, he notes that the effect only calls for small-capitalization stocks to outperform the stocks of larger companies, which could simply mean that they do not fall as far as the larger capitalization stocks.

Newsletters Often Take the Unconventional View

(Continued from Page 9)

own thinking, give you ideas." The question, he said, is why pay a couple of hundred dollars or so a year for what you might well glean by carefully reading the regular business press for a few dollars a week?

"In the newsletters you get the accurate, the unconventional points of view that aren't considered sufficiently establishment to make it into the brokerage reports or the financial papers," he said. For example, he notes that in the early 1970s, only the newsletters had any indication of the bull market in gold.

The accuracy of market forecasts and profitability of stock picks are upstages in people's minds when they are looking for a newsletter. One source they can turn to is the Hubert Financial Digest in Washington, D.C., an authority on newsletter performance. It tracks about 80 newsletter portfolios a month, often chosen at the request of some of its 12,000 subscribers. "It's been a bullish year," said Mark Hubert, owner and editor, "so anyone who was bullish, boy, done well."

Heading Mr. Hubert's list of top performers for 1985 is the 11-year-old McKeeve Strategy Letter, edited by James McKeeve, in Medford, Oregon. For \$195, it offers monthly reports, with perhaps 20 to 30 "special alert" editorials a year. Mr. McKeeve said that his comprehensive portfolio, which ranges from U.S. Treasury bonds to commodities to stocks, has averaged returns of 75 percent a year for the past eight years. He takes a long investment view. For example, he told subscribers to buy foreign currency in November 1974, told them to sell in 1978 and helped a major buy signal last April. Also high on Hubert's list is B.I. Research, of South Salem, New York, edited by Tom Bishop.

Good News

Hubert Financial Digest's list of air-bus performing newsletters for 1985. When you read this one portfolio is recommended, an average is used.

Newsletter	Type of Investment	Performance
McKeeve Strategy Letter P.O. Box 4130 Medford, Oregon 97501	Commodities, Treasury bills	+83.3%
Medical Technology Stock Letter 183 Montgomery Street San Francisco, California 94104	Stocks, Treasury bills	+83.3%
High Technology Investments 2480 Times Boulevard Houston, Texas 77005	Trading in technology stocks	+77.1%
OTC Insight P.O. Box 1329 El Cerrito, California 94530	Stocks	+66.3%
B.I. Research P.O. Box 301 South Salem, New York 10590	Stocks	+65.9%
The Prudent Speculator P.O. Box 1767 Santa Monica, California 90406	Stock trading on margin	+62.2%

Devised to equities, B.I. Research publishes every six or eight weeks with interim updates. It costs \$80 a year. Not bound by a publication date or to make a set number of choices, Mr. Bishop said that he can try to pick "the cream of the crop."

Mr. Hubert urges prospective subscribers to make trial subscriptions, "to see that good performance goes along with good philosophical underpinnings." He said that, even without the performance rating he offers, a reasonably intelligent investor can tell if a newsletter contradicts itself from issue to issue, if it lies about its performance record, if it is sufficiently researched.

The investor also should look at content and style in evaluating newsletters. The more information on the company behind the stock and the more original research — rather than information digested from other sources — the more valuable and more expensive the letter is likely to be.

Interim updates on stock picks are another big plus. In order to be thorough in their analysis, some newsletters will not recommend too many stocks at any one time. Mr. McKeeve said Mr. Bishop says five to 15 stock picks is about right. Too many more and it is hard to keep track of the companies.

Finally, investors should remember that as markets swing, so do newsletter results. "Some people are good bears," said Mr. Grunwald, "because they see all the negatives. Others are good in a bull market." And how does Mr. Grunwald react to those who look askance at his advice after one of his portfolios, by Hubert's ranking, lost nearly 97 percent of its value in 1987? In predicting a bear market, he said, "It's better to be too early than too late."

CAPITAL STRATEGY FUND LIMITED

Garmon Fund Managers International Limited
6 Caledonia Place, St Helier
Jersey, CI - Tel: 0534 27301
Telex: 4192030

Fund	Price	Yield (%)
Strategic Dep.	£ 1,014	10.67
U.S. Deposit	£ 1,057	7.72
Depository	DM 513	8.58
Sw. Dep.	Sfr. 520.4	6.82
Sw. Dep.	Sfr. 512.7	3.55
N. American	£ 1,30	0.00
Japan	£ 1,80	0.00
Pacific Basin	£ 1,43	0.00
Int. Growth	£ 1,29	0.00
Int. Growth	£ 1,29	0.00
Strategic Gd.	£ 1,08	10.25
Int. High Income	£ 1,05	17.00
Ym Conv. Bond	Ym 132.00	3.20

* Prices as of 4/12/85

Protect and build your wealth by opening a special expatriate account

DEPOSIT RATES

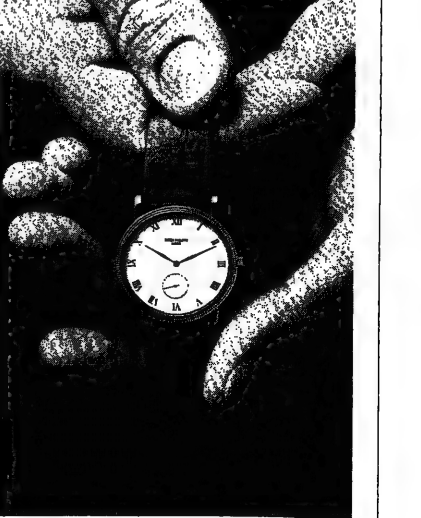
US Dollar	6%* p.a.
Canadian Dollar	7%* p.a.

* Interest calculated daily and paid last June and last December.
* Interest rate fixed until March 1986.
* No tax deducted at source.
* US Dollar accounts also available.
* No minimum amount required.

Deposits made with offices of Royal Trust Bank (Jersey) Limited in Jersey are not covered by the Deposit Protection Scheme under the Banking Act 1979.

WHEN you first handle a Patek Philippe, you become aware that this watch has the presence of an object of rare perfection. We know the feeling well. We experience it every time a Patek Philippe leaves the hands of our craftsmen. You can call it pride. For us it lasts a moment; for you, a lifetime.

We made this watch for you - to be part of your life - simply because this is the way we've always made watches. And if we may draw a conclusion from five generations of experience, it will be this: choose once but choose well. A Patek Philippe - because it's for a lifetime.



PATEK PHILIPPE
GENEVE

Patek Philippe S.A.
41, rue du Rhône - 1211 Geneva 3 - Switzerland

OTC Consolidated trading for week ended Friday

FOREBOARD

Figures on of close of trading Friday

[illegible]

Figures as of close of trading Friday

[illegible]

Union de Banque Arabes et Françaises - U.B.A.F. have announced their acquisition of a 51% shareholding in UBAN International Limited in Hong Kong.

This significant development is yet another success of U.B.A.F. in completing their network coverage of the Far East and South East Asia.

U.B.A.F. is already present in Tokyo, Seoul and Singapore. A new branch is due to be opened shortly in Osaka.

The new acquisition of the majority holding in UBAN International Limited substantially adds to the active role of U.B.A.F. in financing Far Eastern international trade and more particularly the Chinese international trade.

[illegible]

FOREBOARD

(Continued on Page 15)

صلى الله عليه وسلم

